

273.229 Standards of conduct for officers.

- (1) An officer of a nonprofit corporation subject to the provisions of KRS 273.161 to 273.387, with discretionary authority, shall discharge his duties under that authority:
 - (a) In good faith;
 - (b) On an informed basis; and
 - (c) In a manner he honestly believes to be in the best interests of the corporation.
- (2) Such officer shall be considered to discharge his duties on an informed basis if he makes, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, inquiry into the business and affairs of the corporation, or into a particular action to be taken or decision to be made.
- (3) In discharging his duties such officer shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
 - (a) One (1) or more officers or employees of the corporation whom the officer honestly believes to be reliable and competent in the matters presented; or
 - (b) Legal counsel, public accountants, or other persons as to matters the officer honestly believes are within the person's professional or expert competence.
- (4) An officer shall not be considered to act in good faith if he has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (3) of this section unwarranted.
- (5) Any action taken as an officer, or any failure to take any action as an officer, shall not be the basis for monetary damages or injunctive relief unless:
 - (a) The officer has breached or failed to perform his duties in compliance with this section; and
 - (b) In the case of an action for monetary damages, the breach or failure to perform constitutes willful misconduct or wanton or reckless disregard for human rights, safety or property.
- (6) A person bringing an action for monetary damages under this section shall have the burden of proving by clear and convincing evidence the provisions of subsections (5)(a) and (b) of this section, and the burden of proving that the breach or failure to perform was the legal cause of the damages suffered.
- (7) Nothing in this section shall eliminate or limit the liability of any officer for any act or omission occurring prior to July 15, 1988.

Effective: July 15, 1988

History: Created 1988 Ky. Acts ch. 224, sec. 14, effective July 15, 1988.